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RUHRG/AMCONSUL RECIFE PRIORITY 4150
RUEHRI/AMCONSUL RIO DE JANEIRO PRIORITY 8771
RUCPDOC/DEPT OF COMERCE WASHINGTON DC PRIORITY
RHMFSS/DEPT OF ENERGY WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASUR WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
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SUBJECT: AMBASSADOR DISCUSSES BRAZILIAN OIL CONCESSION
MODEL WITH DELFIM NETTO

the concession model and even more unlikely that it would choose to change the rules on existing concessions. Political and economic stability have been the cornerstones of Brazil's policies and largely led to Brazil obtaining investment grade status (Ref D). While some modification of exploration and concession rules may take place for these new "mega fields", it is doubtful the GOB would do anything to undermine the overall image of Brazil as a stable country in which to invest.

17. (C) Unlike Delfim Netto's view that the USG should hold off on intervening to establish these new rules, Brazil's Ministry of Mines and Energy, regulators, and US energy companies have suggested that it could instead be within this period for the USG to intervene. Indeed, Petrobras' interest in consolidating deep-sea drilling in the Gulf of Mexico and vertical integration in the US market could open an important window of opportunity for the USG. Furthermore, ANP has expressed interest in learning more about US small and medium sized energy companies operating in US states to develop a similar capacity in Brazil. They have, in fact, asked for USG assistance to travel to the US to meet with and further learn about this important part of the energy equation. Clearly, Brazil's energy sector offers new partnerships, opportunities, and increased energy security for the US. As Brazil begins to increase exploration of its newfound "pre-salt" reserves that many believe could be larger than the finds in the North Sea, the US could potentially capitalize on these new technologies to develop our own offshore exploration efforts. Early engagement may be crucial to ensuring that US firms will have opportunities in this market. END COMMENT.

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